

Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 EA-10 ISO-00 EB-08 TRSE-00 INT-05

GSA-02 OMB-01 CIAE-00 INR-10 NSAE-00 SSO-00

INRE-00 /049 W

-----111463 081049Z /20

O P 080848Z JUN 78

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC IMMEDIATE 5116

INFO AMEMBASSY BANGKOK PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY SINGAPORE PRIORITY

C O N F I D E N T I A L KUALA LUMPUR 5388

E.O.11652: GDS

TAGS: EMIN, MY

SUBJECT: MALAYSIAN TIN PRODUCTION COSTS

REF: STATE 140101 (NOTAL)

1. AS REQUESTED, WE HAVE COLLECTED THE FOLLOWING
INFORMATION ON MALAYSIAN TIN PRODUCTION COSTS FOR
1976 AND 1977.

A. WAGE RATES: ACCORDING TO SOURCES IN THE
MINISTRY OF LABOR AND THE PRIVATE SECTOR, WAGE
RATES IN THE ZUN INDUSTRY INCREASED ON AN AVERAGE
OF 8 PERCENT IN 1976 AND 10 PERCENT IN 1977.

B. INTEREST RATES HAVE REMAINED STEADY DURING THE
PERIOD WITH THE PRIME RATE BEING 7.5 PERCENT AND
NORMAL COMMERCIAL RATES IN THE AREA OF 10-11 PERCENT.

C. GASOLINE PRICES: ACCORDING TO OUR SOURCES, GASOLINE
IS NOT USED WIDELY IN THE TIN INDUSTRY. IN ANY CASE,
THE PRICE OF GASOLINE IS CONTROLLED BY THE GOM
AND REMAINED CONSTANT IN 1976 AND 1977

AT M\$3.39 (US\$1.41) PER IMPERIAL GALLON FOR

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PERMIUM AND M\$3.01 (US\$1.25) PER IMPERIAL GALLON
FOR REGULAR.

D. DIESEL FUEL: THROUGHOUT 1976, THE PRICE WAS
M\$1.25 (US 52 CENTS) PER IMPERIAL GALLON. IN
FEBRUARY 1977, THE GOM RAISED IT TO M\$1.32 (US 55 CENTS)
PER IMPERIAL GALLON AND IN OCTOBER RAISED IT TO
M\$1.36 (US 57 CENTS) PER IMPERIAL GALLON.

E. PRICES FOR DIESEL ELECTRIC POWER GENERATING
UNITS INCREASED ON AN AVERAGE OF 10-12 PERCENT IN
1977.

F. PUMPS USED IN THE TIN MINING INDUSTRY INCREASED
IN COST BY 8-10 PERCENT IN 1977.

G. TRUCKS INCREASED IN COST BETWEEN 5-10 PERCENT
IN 1977.

2. GIVEN THESE FIGURES, WE ARE UNABLE TO UNDERSTAND
THE BASIS FOR THE GOM'S CONTENTION THAT PRODUCTION COSTS
BEFORE ROYALTIES, DUTY AND TRIBUTE, INCREASED BY 30
PER CENT FOR GRAVEL PUMPS AND 41 PERCENT FOR DREDGES BETWEEN
1976 AND 1977. IN PARTICULAR, WE HAVE BEEN UNABLE TO
VERIFY THE INCREASES IN THE COSTS OF POWER, LABOR AND
MATERIALS GIVEN BY THE GOM (AS REPORTED IN REFTTEL).
WHILE THE COST OF PRODUCTION IS CLEARLY INCREASING,
IT DOES NOT APPEAR TO US THAT THE INCREASES HAVE
BEEN ANYWHERE NEAR AS DRAMATIC AS CLAIMED BY THE
GOM. IF FURTHER DETAIL IS NEEDED, PLEASE ADVISE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TIN, PRODUCTION, COSTS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KUALA05388
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780239-0616
Format: TEL
From: KUALA LUMPUR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780682/aaaacskc.tel
Line Count: 82
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3e2e408f-c288-dd11-92da-001cc4696bcc
Office: ACTION COME
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 140101
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2440682
Secure: OPEN
Status: NATIVE
Subject: MALAYSIAN TIN PRODUCTION COSTS
TAGS: EMIN, MY
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/3e2e408f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014